

Internal Revenue Service

Department of the Treasury

District  
Director

Delaware-Maryland District

31 Hopkins Plaza, Baltimore, MD 21201

Person to Contact:

Contact Telephone Number:

Refer Reply to:

Date: MAR 16 1999

CERTIFIED MAIL

Dear Sir/Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reason for this determination and the facts upon which it is based are explained below.

The evidence submitted indicates your organization was incorporated [REDACTED]. The purpose as stated in your articles of incorporation is "to enable members of the [REDACTED] to enter into retainer contracts with attorneys at law for legal representation as a group of clients involved in the same or closely related legal matters [REDACTED]." The articles further state that the corporation shall be limited to the administration of legal representation for and on behalf of [REDACTED] members.

The organization's activities, as described, are to:

- "protect and defend the legal rights of licensed agents against the [REDACTED] pursuit of investigations and administrative proceedings wherein the suspension or revocation of the aforesaid agents' licenses is the primary concern. The fund provides the agent with legal representation through & including a final hearing before the [REDACTED]. Although the agent is responsible for a small deductible and direct costs, the fund covers all attorneys fees incurred until a [REDACTED] is issued by the hearing officer & the department adopts said order."
- "Provide a comprehensive agents legal guide to include periodic filings, checklists for compliance with the [REDACTED], and rights of agents and how they should conduct themselves when contacted by the [REDACTED]. The goal is to insure agents are informed of matters relating to [REDACTED]"

- Provide a library containing rulings, laws opinion letters and other material from the [REDACTED]. This central file will also contain legal notes and non confidential information from each proceeding handled by the fund. The library is available for use by the members and by the panel of attorneys for legal writings bearing on [REDACTED].

Membership in the organization is limited to members of [REDACTED], who are in good standing and hold [REDACTED].

Section 501(c)(6) of the Internal Revenue Code provides exemption for business leagues, chambers of commerce, real estate boards or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private individual.

Section 1.501 (c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons (the term "persons" includes legal entities such as corporations and trusts) having a common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed toward the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

In order to qualify for exemption, the activities of a business league must be directed to the improvement of business conditions of one or more lines of business. For exempt purposes, a line of business is a trade or occupation, entry into which is not restricted by a patent, trademark or similar device which would allow private parties to restrict the right to engage in the business. However, the activities cannot be directed to the performance of particular services for individual persons and still qualify for exemption.

The term "line of business" has been interpreted to mean either an entire industry (American Plywood Assn. v. United States, 267 F. Supp. 830 W.D. Wash. 1967); and National Leather & Shoe Finders Assn. v. Commissioner, 9 T.C. 121 1947), acq., 1947-2 C.B. 3), or all components of an industry within a geographic area, (Commissioner v. Chicago Graphic Art Federation, Inc. 128 F. 2d 424 (7<sup>th</sup> Cir. 1942); Crooks v. Kansas City Hay Dealers' Assn., 37 F.2d 83 (8<sup>th</sup> Cir. 1929); and Washington State Apples, Inc. v. Commissioner, 46 B.T.A. 64 (1942, acq., 1942-1 C.B. 17).

Revenue Ruling 67-176, C.B. 1967-1, page 140, discusses an organization formed to provide specific services to members of a given profession and to those preparing to enter the profession. Its activities were conducted to advance the profession, to contribute to the welfare and education of students preparing for the profession, to furnish financial aid to members by grants and loans, to provide a means for the expression of members' views and to do other things for the benefit, welfare and security of its members. The organization was not eligible for exemption.



Revenue Ruling 61-170, C.B. 1961-2, page 112, discusses an association which operated a registry, primarily to afford greater employment opportunities for its members. The organization was incorporated as a nonprofit corporation for the general purpose of organizing private duty and practical nurses for their mutual benefit and in order to make their service more readily available when needed by the general public. Based on its activities, the organization was held to be operated for the benefit of its members rather than conducted for the improvement of business conditions of one or more lines of business.

Revenue Ruling 56-65, C.B. 1956-1, page 199, held that a local organization whose principal activity consisted of furnishing particular information and specialized service to its individual members engaged in a particular industry, through publications and other means, was performing particular service for individual persons. While the facts indicated that its purposes and activities carried out many of the attributes normally found in business leagues entitled to exemption under section 501(c)(6), the principal activity was not directed toward the improvement of business conditions of that industry.

It was concluded that the organization had been created for and operated primarily as a service to its individual members.

Revenue Ruling 67-182, C.B. 1967-1, page 141, likewise held that an organization making specialized information available to its members constituted the performance of services for individual persons. In addition, since membership was limited and the facilities of the organization were made available only to participating members, the organization's activities were not aimed at improving business conditions in the industry as a whole.

Based on the information which you furnished and the organizations described in the Revenue Rulings cited, we have determined that your activities are similar to those cited, in that they benefit your members through provision of services. Such services are not directed toward the improvement of business conditions of one or more lines of business.

In addition, your activities serve only a segment of a "line of business" rather than carried on to improve the conditions facing the entire industry.

Therefore, we have concluded that you do not qualify for tax exemption as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed publication 892. Your appeal should give the facts, law and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or if your request, at any mutually convenient

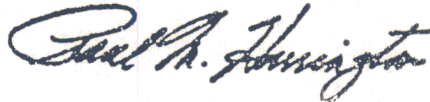
district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

If you don't appeal this determination within 30 days from the date of this letter as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



Paul M. Harrington  
District Director

Enclosure:  
Publication 892